SPECIAL REPORT OF THE 403rd GRAND JURY REGARDING ACTIVITIES OF THE TRAVIS COUNTY TAX OFFICE-MOTOR VEHICLE DEPARTMENT AND ITS EMPLOYEES

TO: The Honorable Judge Brenda Kennedy

FROM: 403rd Grand Jury, January 1 to July 19, 2018 term

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Travis County District Clerk, Velva L. Price RF

SUBJECT:

The 403rd Grand Jury offers a report concerning certain alarming practices within the Travis County Tax Office-Motor Vehicle Department

OVERVIEW:

The 403rd Grand Jury, hereinafter referred to as the Grand Jury, was impaneled to hear evidence of theft, document forgery and fraud by several employees of the Travis County Tax Office, herein after referred to as the TC Tax Office and by some private citizens.

COMPLAINT:

The Grand Jury was asked to consider evidence of direct theft by some of the aforementioned TC Tax Office employees. In addition, we were asked to consider whether falsification of official forms, including Title Transfers and Gift Transfers, led to indirect theft of taxes owed to the State of Texas.

INVESTIGATION:

The Grand Jury considered video surveillance evidence, direct testimony from current and former employees of the Texas Department of Motor Vehicles and the TC Tax Office, as well as written documents, including internal audit reports. Video surveillance appeared to show the charged TC Tax Office employees taking money from cash drawers. Documents presented as evidence also appeared to show official forms with false information, forged signatures and deceptive dollar amounts, which effectively reduced the tax to be collected by the TC Tax Office.

OBSERVATIONS AND COMMENTS:

The Grand Jury found the evidence presented met the probable cause requirement and we returned a True Bill for indictment for the accused TC Tax Office employees for the following charges: Theft by a Public Servant and Title Fraud (*see* Transportation Code § 501.155).

While it is only these employees that are indicted, at this time, the Grand Jury, in hearing the evidence presented, is GREATLY ALARMED at the pervasive lack of supervision and apparent willful dereliction of duty of the supervisors and officers of the TC Tax Office. The Grand Jury heard evidence that several supervisors were derelict in their duty of making semiweekly visits to their assigned tax offices. This lack of supervisory presence is a clear contributor to employees feeling emboldened to apparently steal from the county and to accept what appeared to be incorrect or incomplete motor vehicle transactions.

Even more disturbing is evidence presented to the Grand Jury indicating that TC Tax Office supervisors appeared to encourage employees to accept or ignore questionable documents presented to them for processing. Employees were encouraged to ignore these "red flags" and process the paperwork anyway. Whether this was for the sake of expediency in an effort to reduce long lines at the TC Tax Office, or intentionally criminal, is yet to be determined.

In addition, the Grand Jury heard evidence that TC Tax Supervisors, including the Tax Assessor, Bruce Elfant, ignored questionable behavior by a fellow supervisor and, despite previous reprimands, allowed this individual to continue in his role as a supervisor. The Grand Jury finds that there appears to be a pervasive culture, within the supervisory ranks of the TC Tax Office, of willfully looking the other way when presented with questionable practices or behaviors.

Even more concerning, internal and external audits, investigations and reports extending back to 2014, clearly raised to the Tax Assessor's attention significant risks at the TC Tax Office, precinct offices and full-service deputy offices regarding possible theft, falsification of government documents and millions of dollars of lost tax revenue.

Thus, the evidence presented give this Grand Jury cause to state that the TC Tax Office, due to its practice of inadequate supervision, poor accountability, bad management and outright negligence, facilitated the theft of potentially millions of dollars of tax revenue due to the State of Texas. And, while the TC Tax Office and its supervisory staff may be unwitting facilitators in this theft, they are no less responsible for the financial burden this theft places on the state, Travis County and more importantly, the citizens of Travis County, should this dereliction of duty result in increased taxes for its citizens.

RECOMMENDATIONS:

1. All TC Tax Office employees (including all management) receive ethics training by a qualified third party for each employee when hired and at least annually thereafter.

2. All TC Tax Office employees (including all management) sign a written certification stating that they received and understood the ethics training and the conduct expected of them. These certifications would be retained in each employee's personnel file.

3. All TC Tac Office employees (including all management) receive training regarding the Department of Motor Vehicles (DMV) red flag process and procedure regarding questionable motor vehicle title transactions when hired and at least annually thereafter.

4. TC Tax Office management encourage employees and supervisors to use the DMV's red flag process and procedure when appropriate and assure employees that management will not counsel or evaluate employees solely on the number of red flag cases employees identify.

5. TC Tax Office management encourages employees to inform supervisors and upper management in writing of any suspicions of misconduct or malfeasance by other TC Tax Office employees or customers without fear of retaliation.

6. TC Tax Office establishes a yearly audit process evaluating the transactions occurring within the TC Tax Office and establish a monthly tracking process to identify trends of questionable or fraudulent transactions.

7. TC Commissioner's Court hold public hearings on the policies and practices of the TC Tax Office to determine improvements and to identify best practices in order to ensure TC's appropriate collection of motor vehicle taxes on behalf of the State of Texas and the citizens of TC.